

File No. 658

Collection No.

1937

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12/7/47

Mysore Residency
Bangalore

(20)

Pros.
Serial Nos. 1 - 10

Sus. 3, 6 7 8 9 10

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6/10/47

Subject,

Indian Income - tax (Amendment)
Bill. 1937.

Previous References.

Later References.

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5/3/46

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Officer A. H.
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CORRESPONDENCE.

S.N.1

C.No. 120-I.T./37.

CENTRAL BOARD OF REVENUE

New Delhi, the 30th March 1937.

From

16-4-37

Rai Bahadur Pandit Ram Nath, B.A.,

Second Secretary, Central Board of Revenue,

To
NC

3778

All Commissioners of Income-tax.

Sir,

Bills - Indian Income Tax (Amendment) Bill, 1937 -
Copies of.

In continuation of my letter C.No. 120-I.T./37,
dated the 6th February 1937, I am directed to enclose for
information * * copies of the Indian Income-tax
(Amendment) Bill, 1937, as passed by the Indian Legis-
lature. It received the assent of His Excellency the
Governor-General on the 4th March 1937.

2. A copy of the Council of State debates dated the
24th February 1937, on the Bill, is also forwarded for
information.

3. Further communication on the subject will follow
shortly.

* *

Madras	70
Bombay	95
Bengal	100
C. & U.P.	30
Punjab	85
Burma	90
B. & O.	21
Assam	8
Ajmer-Merwara	10
Coorg	3
C. & M. Station	
Bangalore	6
Mount Abu	2

570

I have the honour to be,

Sir,

Your most obedient servant,

Ram Nath

6-4-37

Second Secretary, Central Board of Revenue.

A
BILL

Further to amend the Indian Income-tax Act, 1922, for certain purposes.

XI of 1922. WHEREAS it is expedient further to amend the Indian Income-tax Act, 1922, for the purposes herein-after appearing; It is hereby enacted as follows:—

1. This Act may be called the Indian Income-tax Short title.
(Amendment) Act, 1937.

XI of 1922. 2. To section 16 of the Indian Income-tax Act, Amendment
1922 (hereinafter referred to as the said Act), the of section 16,
following sub-section shall be added, namely:— Act XI of
1922.

“(3) In computing the total income of any individual for the purpose of assessment, there shall be included—

(a) so much of the income of a wife or minor child of such individual as arises directly or indirectly—

(i) from the membership of the wife in a firm of which her husband is a partner;

(ii) from the admission of the minor to the benefits of partnership in a firm of which such individual is a partner;

(iii) from assets transferred directly or indirectly to the wife by the husband otherwise than for adequate consideration or in connection with an agreement to live apart; or

(iv) from assets transferred directly or indirectly to the minor child, not being a married daughter, by such individual;

and

(b) so much of the income of any association of individuals consisting of such individual and his wife as arises from assets transferred to the association by such individual.”

3. To sub-section (5) of section 18 of the said Act Amendment
the following proviso shall be added, namely:— of section 18,
Act XI of
1922.

“Provided further that where such person or owner is a person whose income is included under the provisions of sub-section (3) of section 16 in the total income of another person that person shall be deemed to be the person or owner on whose behalf payment has been made and to whom credit shall be given in the assessment for the following year.”

4. After sub-section (3) of section 48 of the said Amendment
Act the following sub-section shall be inserted, of section 48,
Act XI of
1922.
namely:—

“(3A) Where the shareholder referred to in sub-section (1), or the member of a registered firm or the minor admitted to the benefits of partnership referred to in sub-section (2), or the owner of a security referred to in sub-section (3) is a person whose income is included under the provisions of sub-section (3) of section 16 in the total income of another person, the provisions of sub-sections (1), (2) and (3) shall apply as if that person were himself the person entitled to a refund under those sub-sections.”

5. The amendment made in the said Act by section 2 Operation
shall not have effect in respect of any income chargeable section 2.
to income-tax for any year ending before the 1st day of April, 1937.

GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

A
BILL

Further to amend the Indian Income-tax Act, 1922, for
certain purposes.

(As passed by the Indian Legislature.)

No 657/57

Circular No. 1 of 1937.
C. No. 120-I. T./37.

CENTRAL BOARD OF REVENUE.

New Delhi, the 23rd March 1937.

CIRCULAR.

SUBJECT:—*Indian Income-tax (Amendment) Act, 1937.*

The attention of all Assistant Commissioners of Income-tax and Income-tax Officers should be drawn to the provisions of the above Act, which received the Governor-General's assent on the 4th of March 1937, and was published in the *Gazette of India* on the 13th of March 1937. Section 2 of the Act contains the substantive provision adding a new sub-section (3) to section 16 of the Indian Income-tax Act, 1922, in order to provide for the aggregation with the income of an individual of the income of his wife or minor child in certain circumstances. It will not escape notice that the new provisions will make it unnecessary for Income-tax Officers to make difficulties about the registration of firms where the wives of partners are shown as themselves partners or the minor children of partners as admitted to the benefits of partnership.

2. Sections 3 and 4 make consequential amendments in sections 18 (5) and 48 of the Indian Income-tax Act, 1922, and section 5 provides that the Act shall not apply to income chargeable to income-tax for any year ending before the 1st of April 1937. This is in order to secure that one assessee whose assessment for any earlier year happened not to have been completed by the date of the passing of this Act should not be subjected to a disadvantage which would be escaped by other assessee's whose assessment for the current year and earlier years had been completed by the date of the passing of the Act.

3. It will be observed that the new sub-section (3) in section 16 of the Indian Income-tax Act, 1922, refers only to the assessment of individuals. The new provision will have no application to the assessment of Hindu undivided families.

4. In the course of debates in the Legislature on the Bill which has become this Act, the Finance Member gave an assurance which is embodied in the appended extract from his speech in the Council of State, dated the 24th of February 1937. Assistant Commissioners and Income-tax Officers should be invited to draw attention to any classes of cases of real hardship which, it appears to them, may fall within the Finance Member's intention. At the same time, these officers in making such recommendations and Commissioners of Income-tax in forwarding them should pay special attention to the Finance Member's remark that he did not regard the mere removal of an entirely uncovenanted advantage as a hardship. In this connection, it may be borne in mind that when an individual transfers assets to a person whom it is his duty to maintain it is usually the case that in effect the income from the assets will remain directly or indirectly within his own control. Having regard to this consideration, the mere fact that it may be argued that a transfer of assets was not made especially for the purpose of reducing income-tax liability is not necessarily in itself enough to establish the creation of real hardship.

RAM NATH,
Second Secretary, Central Board of Revenue.

To

All Commissioners of Income-tax.

Extract from the Honourable Sir James Grigg's speech in the Council of State, dated the 24th of February 1937.

* * * * *

This is not necessarily the permanent form which this legislation will take. When the full recommendations of the Income-tax Committee have been thoroughly examined in the light of the reactions of the public to them then will be the time for Government to undertake exhaustive legislation amending the Income-tax Act, and there will then be an opportunity to reconsider this particular Bill in the light of its working, so that it need not necessarily be the last word on the subject. It is quite possible that when the permanent legislation comes to be drafted, experience will show certain respects in which this Bill might be modified. And let me say in one respect that should the Government accept the proposal to aggregate incomes, a large part of the difficulties of definition will disappear. But even earlier than that, there is a remedy and it is not a remedy of the mere intervention of the Executive on behalf of individuals as the Honourable Member who spoke last seemed to think: It is a definite application of section 60, sub-section (1), of the Income-tax Act. Perhaps I might read it:—

“The Governor General in Council may, by notification in the *Gazette of India*, make an exemption, reduction in rate or other modification, in respect of income-tax in favour of any class of income, or in regard to the whole or any part of the income of any class of persons.”

I particularly emphasise the word “class” for reasons which will be obvious in a moment or two. As I said in the Lower House, should it appear in the course even of the current year that the working of this Bill produces real hardship—and when I say real hardship I am bound to add in a comment that a great many of the cases which have been quoted to me at any rate seem to me not to be cases of hardship at all but merely cases of the removal of an entirely uncovenanted advantage and I do not call that a hardship, if I may be allowed to say so. Supposing any class of cases of real hardship did turn up and that class of cases can be suitably defined, Government can and will, once they are satisfied of the hardship and that the case can be defined exclusively, consider seriously the question of using this particular sub-section of the Income-tax Act.

* * * * *

2 draughts S.N. 4
Draught I

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Issued
6/8/37.
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DEPARTMENT.
BRANCH.

In-
575

File No.
Serial No.

Draft

Letter
Memorandum
Telegram

Class for telegrams

Ordinary
Express
Urgent
Priority
Clear Line

*Only for
Foreign
Telegrams.
†Not for
Foreign
Telegrams.

No. F.658/37/R.C.I.

Dated 8th May 1937

To be issued on

Issued on

To

The Second Secretary,
Central Board of Revenue.

Indian Income Tax (Amendment) Bill,
1937.

Sir,

I have the honour to refer to your

(Code word for telegrams) C.No. 120-I.T./37, dated the 30th March
S.N. 1

(P n c)

1937, and to say that letter C.No. 120-
I.T./37, dated the 6th February 1937,

referred to therein has not been received
in this office. A copy of it may there-
fore kindly be sent.

2. In para 2 of your letter it is --
stated that a copy of the Council of
State debates dated the 24th February.
1937, on the Bill, is forwarded but a
copy of the Council of State debates --
dated the 24th February 1936 has been

received which is returned herewith.

I have etc.,

[Signature]
S/S.

For Commissioner of Income-tax.

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3.5.37

[Signature]
4.5.37

[Handwritten signature]

Res. Mysore 39.

OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,
Bangalore, the 8th May 1937.

No. F. 658/37
R. O. I

A copy of the undermentioned paper(N) is forwarded to the Assistant Commr. of Income-tax, C. & M. Station, Bangalore, for information.

for information, ~~in continuation of~~ ~~with reference to~~ the ~~correspondence ending with his~~
~~memorandum~~
~~letter~~ from
~~endorsement~~

~~dated the~~

By order, etc.,

For Secretary to the Resident, & Commr. of
~~Asst. Secy.~~ Income-tax.

LIST OF PAPERS.

Letter from the Central Board of Revenue C.No. 120-I.T/37, dated the 30th March 1937, with three copies of the Indian Income-tax (Amendment) Bill.

Mis No. 36

S.N. 8

h 3/5
17/5

OFFICE OF THE ASSISTANT COMMISSIONER OF
INCOME-TAX, C. & M. STATION,

Bangalore, the 14th May 1937.

FROM

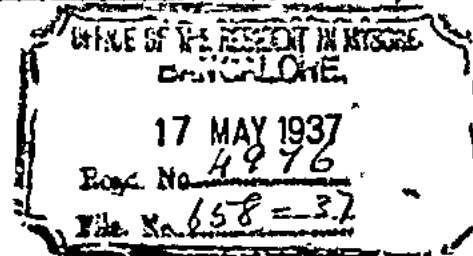
L.J. MacIver, Esq., I.C.S.

ASSISTANT COMMISSIONER OF INCOME-TAX,
CIVIL AND MILITARY STATION,
BANGALORE.

To

The Secretary to the Hon'ble
the Resident in Mysore &
Commissioner of Income-tax,
BANGALORE. 18-5-37

Subject:—



SIR,

7
S.N. 5
C.T. 8 (M)

With reference to your endorsement No.F. ^x658-37
dated the 8th May 1937, I have the honour to request you.
to kindly forward for my information a copy of the ----
Council of State debates dated 24th February 1937 on the
Income-tax Amendment Bill 1937 referred to in para 2 of
the communication from the Central Board of Revenue.

I have the honour to be,

Sir,

Your most obedient servant,

FOR ASSISTANT-COMMISSIONER.



RSR.

5-11-37
D:Dis.No.120-I.T./37.

CENTRAL BOARD OF REVENUE:

Simla, the 2nd. June 1937.

From

Rai Bahadur Pandit Ram Nath, B.A

Second Secretary, Central Board of Revenue

All Commissioners of Incometax.

The Commissioner of Incometax, Burma

15-6-37 Sir,

Debates - Council of State
debates dated the 24th
February 1937 - Supply of, to.

With reference to your

reply to my letter D.O.C.No.120-I.T./37
letter No.H.O.361/36 *

119/37 @

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*C.I.T.Bombay
@C.I.T.Madras
%C.I.T.Ajmer-
Marwara.

dated the 1st May 1937

13th April 1937*

16th April 1937 @

26th April 1937 %

I am directed to

forward a copy of the Council of State debates dated
the 24th February 1937, on the Income-tax (Amendment)
Bill, 1937.

I have the honour to be,

Sir,

Your most obedient servant

Ram Nath

8-6-37

Second Secretary, Central Board of Revenue.

S.N.10.

THE OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,

Bangalore, the 22nd June 1937.

No. F.658/37/R.O.I.

A copy of the undermentioned paper(N) is forwarded to the Asst. Commr. of Income-tax, C.& M. Station, Bangalore, with reference to his letter Mis. No. 56, dated the 14th May 1937.

for information, ~~in continuation of~~ ~~with reference to~~ ~~the correspondence ending with (his)~~

~~Memorandum~~
~~letter~~ from
endorsement

, dated the

By order, etc.,

~~Secretary~~
Asst. Secy. to the Resident in Mysore.

List of papers.

Letter from the Central Board of Revenue D.Dis. No. 120-I.T/37, dated the 2nd June 1937, with enclosure.

S.N.9
C.p. 12
(PUC)

15-6-37

16-6-37

18/6